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Federal Communications Commission  
 Office of Secretary

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October 22, 1999

CC Docket No. 99-333

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 San Francisco Business & Professional Women, Inc.  
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 Spanish Speaking Unity Council  
 TELACU  
 Vietnamese Community of Orange County, Inc.  
 West Angeles Church of God in Christ  
 West Coast Black Publishers Association

**Proposed MCI WorldCom and Sprint Merger and Possible Adverse Impact on Low Income Communities**

Dear Chairman Kennard,

The MCI WorldCom and Sprint merger is likely to be harmful to low-income and other underserved communities. This merger poses anti-competitive impediments in the long distance, local telephone and internet market and further poses disincentives for continuing and developing quality, affordable services and goods for all consumers, particularly the underserved communities.

The Greenlining Institute<sup>1</sup> is specifically concerned with the detrimental effects the largest merger in history, that of MCI WorldCom and Sprint, will have for low-income communities and communities of color. As Greenlining testified at the FCC Public Hearing on mega-mergers in 1998, mega-mergers do not benefit the underserved communities unless there are specific public interest provisions enforced to advance their interests.<sup>2</sup> Because underserved communities rarely have input in mergers, we respectfully request the FCC to set, at a minimum, four public hearings across the nation, including one in California, to ensure full community participation.

<sup>1</sup> The Greenlining Institute is a multiethnic public policy and advocacy group that focuses on economic development issues in low income and minority communities. We represent over thirty Asian, Black and Latino Business Associations and community groups with a wide range of constituents. The Greenlining Institute advocates for and protects the needs and interests of our constituents by working for competitive, quality products and services that cater to our communities and encourage diverse employment and contracting practices.

<sup>2</sup> John Gamboa, Statement before the October 1998 FCC Public Hearing in DC on Mega-Mergers

**Executive Staff:**

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## Specific Concerns

Our concerns about the MCI WorldCom and Sprint merger are the following:

- Lack of employment diversity at both companies and their insular policies towards minorities.
- Absence of plans and goals for serving disadvantaged communities. This includes lack of penetration rate achievement goals and plans for providing internet access to low-income communities. A failure to set plans will exacerbate the already substantial digital divide, taking away future opportunities for economic development and advancement in low-income and minority communities.
- Lack of provision to address the impact of this merger on the digital divide.<sup>3</sup>
- Lack of provisions for increasing ownership by people of color in the telecom industry, including at the time of divestiture.
- One of the worst records for African American and Latino vendor contracting, far behind that of SBC, Bell Atlantic and GTE.
- Creation of a telecom duopoly: AT&T and WorldCom. The MCI WorldCom and Sprint merger will surpass the Department of Justice's permitted market level concentration.<sup>4</sup>
- Unnecessarily large employment losses.
- Decline in quality of service to low-income and minority communities.

## MCI WorldCom and Sprint Recently Opposed Lesser Mergers On Grounds of Anti-Competition

Ironically, both MCI WorldCom and Sprint have made dire warnings about other "lessor" telecom industry mergers, such as the GTE and Bell Atlantic merger and the MCI and WorldCom merger. Sprint wrote: "[T]o the extent that the markets in which the merged firm would supply these services already are effectively competitive, **consumers** would see little or no additional benefits—even though **the merged firm** itself might end up in a strong position *vis-a-vis* other competitors." <sup>5</sup>

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<sup>3</sup> MCI WorldCom and Sprint are the second and third largest Internet backbone providers.

<sup>4</sup> MCI WorldCom stated in its criticisms of the GTE and Bell Atlantic merger that the combination of two large companies are detrimental, NOT beneficial to competition. They wrote: "Applicants suggest that the only way to compete for the large national business market is for the two companies to merge. The implication of this reasoning, however, is that an entity will have to control almost 40% of the... market in order to be a real competitor. Taken to its logical conclusion, this means that the Applicants envision a marketplace where only two entities (Bell Atlantic/GTE and SBC/Ameritech), each with almost half of the market, will be the only companies in a position to truly "compete" for large, national business customers. The anticompetitive consequences of such market concentration are self-evident. The harms to competition... are dramatic." Opening Brief of Protestants AT&T Communications of CA and MCI WorldCom before the Public Utilities Commission of the State of California, 8/27/99. p.12.

<sup>5</sup> Reply Brief of Sprint Communications Company L.P. before the Public Utilities Commission of the State of California, 9/24/99. Emphasis added. p. 8-9.

In addition, Sprint stated: "Sprint submits that, knowing what we know today, the loss of a potential competitor carries much greater significance than it may have carried in a context of the high degree of optimism held by the Commission when it opened the market..."<sup>6</sup>

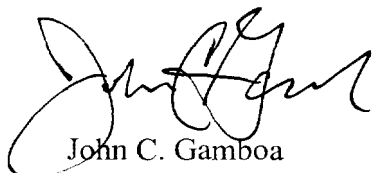
The stakes are higher in this particular merger which combines the second and third largest *national* long distance and Internet backbone providers in an already highly concentrated market. Concerns for how the merger will benefit the *consumer* and the needs of the bottom quarter and bottom 60% of our nation's population need to be addressed.

Further, Greenlining concurs with Sprint's own statement that as the complexity of the market increases, regulatory oversight and timely enforcement becomes increasingly difficult and even "unpreventable."<sup>7</sup>


### Conclusion

Prior to the public hearings and within thirty days, we respectfully request a personal meeting with you and your staff to address the issues of our low-income communities and communities of color. We look forward to meeting with you again and greatly appreciate your leadership in addressing the needs of underserved communities.

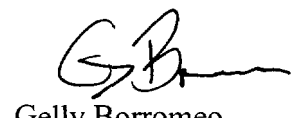
Sincerely,



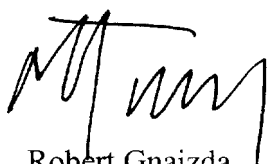
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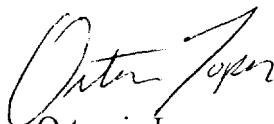
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<sup>6</sup> Ibid, p.19.

<sup>7</sup> Ibid, p.27.



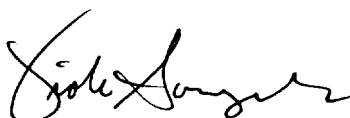
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